GOVERNMENT OF TELANGANA
ABSTRACT

T,R&B Department- Hybrid Annuity Mode (HAM) Program – Payment Security Mechanism and modification of RFP (Request for Proposal), DCA (Draft Concession Agreement) and Tender Conditions under HAM – Approved – Orders – Issued.

TRANSPORT, ROADS & BUILDINGS (R.II) DEPARTMENT

G.O.Ms.No. 2 **Dated: 22-01-2026**
Read the following:

1. G.O.Rt.No.389, Panchayat Raj & Rural Development (Roads) Department, dated: 20-06-2025
2. G.O.Rt.No.318, T,R&B (R.II) Department, Dt:19.07.2025
3. G.O.Ms.No.70, TR&B(R.II)Dept., Dated 22-10-2025.
4. G.O.Ms.No.76, TR&B (R.II) Dept., Dated 13-11-2025.
5. From the Chief Engineer (R&B), HAM and Member COT, Hyderabad, Lr.No.412/HAM/ACNTS/SE(HAM)/EE(HAM)/2025, Dated 30-12-2025.
6. From the Chief Engineer (R&B), HAM and Member COT, Hyderabad, Lr.No.1201/HAM/ACNTS/SE(HAM)/EE(HAM)/2026, Dated 12-1-2026.

--:ooOoo:--

O R D E R :

Government after careful examination of the proposals received from the Chief Engineer (R&B), HAM & Member COT, Hyderabad, in the reference 5th and 6th read above, hereby approve the (1) HAM -Payment Security Mechanism as enclosed in **Annexure-I** and (2) Modification of RFP (Request for Proposal) and Tender Conditions as enclosed in **Annexure-II** under HAM.

2. The Chief Engineer (R&B), HAM, Hyderabad is also requested to study the role of Independent Engineer (IE) in HAM projects of NHAI and other States before calling for tenders for I.E. He shall also take immediate action to open Escrow Account and Payment Security Fund.

3. The Finance Department shall take necessary action to align Treasury and Departmental processes, including communication to RBI, if any required, to ensure proper implementation of the Payment Security Mechanism.

4. This order is issued with the concurrence of Finance (EBS.X) Department vide their U.O.No. 3492955-A/03/A1/EBS.X/2026, Dated: 06-01-2026.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

K. RAMAKRISHNA RAO
CHIEF SECRETARY TO GOVERNMENT

To
The Chief Engineer (R&B), HAM & Member COT, Hyd.
Copy to :
The Director of Works & Accounts, Telangana, Hyd.
The G.A. (Cabinet) Department.
The Finance (EBS.X) Department
The P.R. & RD (Roads) Department
The Engineer-in-Chief (PR), Hyderabad.
The P.S. to Prl. Secretary to CM
The P.S. to M (R&B,C)
The P.S. to M (PR&RD.)
The P.S. to Chief Secretary to Government
The P.S. to Spl.Chief Secretary to Government, TR&B Dept.
SF/SC.

//FORWARDED: BY ORDER//

SECTION OFFICER

ANNEXURE-I
(G.O.Ms.No.2, TR&B (R.II) Department, Dated:22-1-2026)

01. <u>HAM - Payment Security Mechanism:</u>

Three-layer payment security mechanism

i. Normal payments remain with the line department - Business-as-Usual (BAU) - Payment by R&B/PR Departments.
ii. PSF acts as the first shock absorber - Payment Default by State Government - Use of payment Security Fund (PSF)
iii. RBI-backed DDM acts strictly as the last-resort sovereign backstop- Invocation of Dedicated Debt Mechanism (DDM) through RBI

i. Business-as-Usual (BAU) - Payment by R&B/PR Departments

- The concessionaire executes construction and/or O&M works as per the concession agreement.
- The Independent Engineer (IE) verifies the work and certifies the payment due.
- Based on IE certification, the R&B/PR Departments processes and releases the payment.
- The State Government will provide the yearly HAM Fund requirement.
- Payment is routed through the normal Treasury / PAO system.
- Funds are credited to the concessionaire's Escrow Account.
- This remains the standard and preferred payment route.

ii. Payment Default by R&B/PR Departments - Use of Payment Security Fund (PSF)

- A payment default arises when the State Government does not release the certified payment within the stipulated time.
- The Independent Engineer confirms that the payment is due and unpaid.
- The Escrow Bank identifies a shortfall in the Escrow Account.
- To avoid disruption, the IE and Escrow Bank invoke the Payment Security Fund (PSF).
- The PSF is already allocated to the project for the annual requirement.
- Funds are accessed through a Letter of credit (LC) or advance parking of earmarked funds
- The required amount is transferred directly into the Escrow Account.
- This mechanism ensures continuity of payments without immediate escalation.

iii. Invocation of Dedicated Debt Mechanism (DDM) through RBI

- The State Government has provided a standing mandate to RBI for operation of the Dedicated Debit Mechanism.
- The State Government is responsible for timely replenishment of the HAM Fund (PSF).
- In the event, the State Government does not replenish the required amount within 90 days, leading to continued insufficiency of funds:
    - The Independent Engineer certifies the unpaid amount, and
    - The Escrow/ Lender shall issue a notice to State Government with reasonable time to invoke the DDM.
- RBI directly debits the designated state Government account as per the mandate.
- RBI credits the required amount directly into the concessionaire's Escrow Account.
- The amount paid through DDM is adjusted against future budgetary releases.

K. RAMAKRISHNA RAO
CHIEF SECRETARY TO GOVERNMENT

//FORWARDED: BY ORDER//

SECTION OFFICER

ANNEXURE-II

(G.O.Ms.No.2, TR&B (R.II) Department, Dated:22-1-2026)

Modification to Request for Proposal and Tender Conditions

<table>
<tr><th>Sl. No.</th><th>Reference / Clause</th><th>Existing Provision as per DCA</th><th>Revised Provision to be Amended</th></tr>
<tr><td>1</td><td>Clause 2.2.2 (B) of RFP</td><td>Financial Capacity: The Bidder shall have a minimum Net Worth “Financial Capacity” shall be 20% of the Estimated Project Cost.

The Assessed Available Net Worth as per the
A - B * 20 %, Where
A =Net Worth of the Bidder.
B = Balance value of existing commitments of PPP works for which the bidder has emerged as the winner of the bids or ongoing works to be completed during the period of completion of the works for which BID is invited.</td><td>Financial Capacity: The Bidder shall have a minimum Net Worth “Financial Capacity” shall be 15% of the Estimated Project Cost.</td></tr>
<tr><td>2</td><td>Clause 2.2.2 (AA)of RFP</td><td>Updation Factor: The updation factor to update the price of the eligible projects for the year indicated in table below:
<table><tr><th>Year</th><th>Updation Factor</th></tr><tr><td>Year - 1</td><td>1.0</td></tr><tr><td>Year - 2</td><td>1.05</td></tr><tr><td>Year - 3</td><td>1.1</td></tr><tr><td>Year - 4</td><td>1.15</td></tr><tr><td>Year - 5</td><td>1.20</td></tr></table></td><td>Updation Factor: The updation factor to update the price of the eligible projects for the year indicated in table below:
<table><tr><th>Year</th><th>Updation Factor</th></tr><tr><td>Year - 1</td><td>1.0</td></tr><tr><td>Year - 2</td><td>1.10</td></tr><tr><td>Year - 3</td><td>1.20</td></tr><tr><td>Year - 4</td><td>1.30</td></tr><tr><td>Year - 5</td><td>1.40</td></tr></table></td></tr>
<tr><td>3</td><td>Clause 9.1.1 of DCA</td><td>Performance Security:
Foot Note 1: Calculated @ 5% (five percent) of the Bid Project Cost</td><td>Performance Security:
Foot Note 1: Calculated @ 2.5% (two and half percent) of the Bid Project Cost</td></tr>
<tr><td>4</td><td>Clause 23.8 of DCA</td><td>Mobilization Advance: The Authority shall, on request of the Concessionaire, make an advance payment in a sum not exceeding 10% (ten percent) of the Bid Project Cost (the “Mobilization Advance”). This advance payment shall be made in two equal installments. The Concessionaire may request the Authority for the first installment of the advance payment at any time after the Appointed Date, along with furnishing a Bank Guarantee (including e-Bank Guarantee) in a form satisfactory to the Authority.</td><td>Mobilization Advance: The Authority shall, on request of the Concessionaire, make an advance payment in a sum not exceeding 10% (ten percent) of the Bid Project Cost (the “Mobilization Advance”). This advance payment shall be made in two equal installments. The Concessionaire may request the Authority for the first installment of the advance payment at any time after the Appointed Date, along with furnishing an Insurance Bond /Bank Guarantee (including e-Bank Guarantee) in a form satisfactory to the Authority.</td></tr>
</table>

5	Clause 23.7.1 of DCA	**a. For flexible pavement including structures and the project:** No maintenance charges shall be paid for the first year; 0.40% of the Bid Project Cost each for the second, third and fourth year; 0.80% of the Bid Project Cost each for the subsequent years till laying of the renewal layer or end of concession period, whichever is earlier. The requirement for the renewal layer shall be worked out based on the survey and investigation of the existing pavement and the cost of such renewal works shall be made separately to the Concessionaire @ 2.4% of Bid Project Cost. After laying of the renewal layer, the Concessionaire shall be paid @ 0.40% of the original Bid Project Cost each for the next four years and @ 0.80% of the original Bid Project Cost each till laying of the second renewal layer or end of concession period, whichever is earlier. After laying of the renewal layer, the Concessionaire shall be paid @0.40% of the original Bid Project Cost each for the remaining years till the end of concession period. For the avoidance of doubt, it is clarified that if there is any requirement of renewal layer during the initial 5 years & during the 5 years after laying of first renewal layer then the cost of such renewal layer and any requirement of structural layer during the concession period shall be borne solely by concessionaire.	**a. For flexible pavement including structures and the project**: No maintenance charges shall be paid for the first year; 0.40% of the Bid Project Cost each for the second, third and fourth year; 0.80% of the Bid Project Cost each for the subsequent years till laying of the renewal layer or end of concession period, whichever is earlier. The requirement for the renewal layer shall be worked out based on the survey and investigation of the existing pavement and the cost of such renewal works shall be recommended by the Independent Engineer based on field investigations. The cost of the renewal layer shall be estimated as per the prevailing SOR at that time, and will be got approved by the Tender-cum-Evaluation Committee established under PRD G.O.Rt.No.700 dated 05/11/2024. The renewal layer cost so approved will be paid to concessionaire. Price adjustment will not be applicable on the amount so determined. After laying of the renewal layer, the Concessionaire shall be paid @0.40% of the original Bid Project Cost each for the next four years and @ 0.80% of the original Bid Project Cost each till laying of the second renewal layer or end of concession period, whichever is earlier. After laying of the renewal layer, the Concessionaire shall be paid @ 0.40% of the original Bid Project Cost each for the remaining years till the end of concession period. For the avoidance of doubt, it is clarified that if there is any requirement of renewal layer during the initial 5 years & during the 5 years after laying of first renewal layer then the cost of such renewal layer and any requirement of structural layer during the concession period shall be borne solely by concessionaire.

K. RAMAKRISHNA RAO
CHIEF SECRETARY TO GOVERNMENT

//FORWARDED: BY ORDER//

SECTION OFFICER